

LYNCHBURG CITY COUNCIL

Agenda Item Summary

MEETING DATE: **March 26, 2002**

AGENDA ITEM NO.: **18**

CONSENT:

REGULAR: **X**

CLOSED SESSION:

ACTION: **X**

INFORMATION:

(Confidential)

ITEM TITLE: **Creation of Technology Zones and Approval of Ordinances and Resolution**

RECOMMENDATION:

Approve ordinance creating two technology zones and ordinance and resolution authorizing certain incentives for businesses locating within the zones.

SUMMARY:

State code permits localities to create technology zones to provide incentives to attract technology related firms. The attraction of these companies will mean more jobs and additional tax base for the City resulting in a better quality of life for everyone. The Industrial Development Authority has approved the proposed ordinances and the guidelines and has endorsed this initiative.

PRIOR ACTION(S):

Council discussed the benefits of technology zones at its work session on January 29, 2002.

FISCAL IMPACT:

Unknown at this time.

CONTACT(S):

Ed Miller – 847.1732

ATTACHMENT(S):

- 1) Ordinance establishing the technology zones.
- 2) Ordinance authorizing BPOL tax reimbursement, machinery and tools tax reimbursement and waiver of code enforcement fees for businesses locating in the zones.
- 3) Resolution authorizing the waiver of certain land use fees for businesses locating in the zones.
- 4) Technology zone guidelines.

REVIEWED BY:

BE IT ORDAINED that the Council of the City of Lynchburg, as authorized by the Code of Virginia, hereby establishes two technology zones within the City as follows:

Zone 1, known as the Downtown Technology Zone, includes the City's Central Business District, the lower basin, the Fifth Street Corridor, the surrounding neighborhoods, and the industrial zoned land between Carroll and Campbell Avenues.

Zone 2, known as the Lynchburg Technology Zone, includes the area located between Wiggington Road and Lakeside Drive on the City's western boundary.

Eligible technology businesses that locate in either of the City's technology zones may be eligible for certain incentives as follows:

Reduction and/or waiver of certain City fees (which may include fees for building permits, mechanical and gas permits, plumbing permits, electrical permits, sign permits, conditional use permits, and zoning ordinance fees.)

A ten year reimbursement of business license taxes for eligible businesses in the Downtown Technology Zone.

A five year reimbursement of business license taxes for eligible businesses in the Lynchburg Technology Zone.

A five year reimbursement of the City's machinery and tools taxes.

Five year capital investment grants

Whether or not a technology zone business is eligible for incentives shall be determined on a case by case basis

The City Manager and the Director of Economic Development shall develop technology zone guidelines which guidelines shall be approved by the Lynchburg Industrial Development Authority. A copy of the guidelines shall be kept in the Office of the City Manager and the Office of Economic Development.

Adopted:

Certified:

Clerk of Council

063L

AN ORDINANCE TO AMEND AND REENACT SECTIONS 36-126.19 AND 36-151 OF THE CODE OF THE CITY OF LYNCHBURG, 1981, THE AMENDED SECTIONS RELATING TO BUSINESS LICENSE TAXES AND MACHINERY AND TOOLS TAXES FOR TECHNOLOGY BUSINESSES AND TO AMEND THE CODE OF THE CITY OF LYNCHBURG, 1981, BY ADDING THERETO A NEW SECTION NUMBERED, SECTION 11-289, THE NEW SECTION RELATING TO THE WAIVER OF CODE ENFORCEMENT FEES FOR TECHNOLOGY BUSINESSES.

BE IT ORDAINED BY THE COUNCIL OF THE CITY OF LYNCHBURG:

1. That Sections 36-129.19 and 36-151 of the Code of the City of Lynchburg, 1981, be and the same are hereby amended and reenacted as follows:

Sec. 36-126.19. Urban enterprise zone and technology zones.

(a) Any business required to obtain a license pursuant to this article, and which is designated as a "qualified business firm" pursuant to the provisions of Chapter 22, Title 59.1 of the Code of Virginia, 1950, as amended, (the Urban Enterprise Zone Act), shall be entitled to the following tax credits: For the first two (2) calendar years, a one hundred percent (100%) credit; for the third (3rd) calendar year, a seventy-five percent (75%) credit; for the fourth (4th) calendar year, a fifty percent (50%) credit; and for the fifth (5th) calendar year, a twenty- five percent (25%) credit. Thereafter the tax shall be at the rate provided for in this chapter.

(b) Any business required to obtain a license pursuant to this article, and which is designated as a "qualified business firm" on or after July 1, 1995 pursuant to the provisions of Chapter 22, Title 59.1 of the Code of Virginia, 1950, as amended, (the Urban Enterprise Zone Act), shall be entitled to the following tax credits: For the first three (3) calendar years, a one hundred percent (100%) credit; and for the fourth (4th) and fifth (5th) calendar years, a fifty percent (50%) credit. Thereafter the tax shall be at the rate provided for in this article.

(c) Any business required to obtain a license pursuant to this article, and which is designated as a technology business and which business locates in the city's downtown technology zone on or after July 1, 2002, shall be entitled to a ten-year reimbursement of business license taxes as follows: during the first five (5) calendar years, a one hundred percent (100%) reimbursement; for the sixth (6th) calendar year a seventy percent (70%) reimbursement; for the seventh (7th) calendar year a sixty percent (60%) reimbursement; for the eighth (8th) calendar year a forty percent (40%) reimbursement; and, for the ninth (9th) and tenth (10th) calendar years a twenty percent (20%) reimbursement.

(d) Any business required to obtain a license pursuant to this article, and which is designated as a technology business and which business locates in the city's lynchpin technology zone on or after July 1, 2002, shall be entitled to a five-year reimbursement of business license taxes as follows: during the first (1st) calendar year, an eighty percent (80%) reimbursement; for the second (2nd) calendar year a sixty percent (60%) reimbursement; for the third (3rd) calendar year a forty percent (40%) reimbursement; and, for the fourth (4th) and fifth (5th) calendar years a twenty percent (20%) reimbursement.

Sec. 36-151. Same—Machinery used in certain manufacturing and mining businesses.

Effective on and after July 1, 1972, for the fiscal year beginning July 1, 1972, and ending June 30, 1973, and also for each and every fiscal year thereafter beginning July first and ending June thirtieth of each such year, unless otherwise changed by council, on each one hundred dollars (\$100.00) of the assessed value of all machinery and tools, except machinery and equipment used by farm wineries as defined by Section 4-2(10A) of the Code of Virginia, used in the manufacturing, mining, processing or reprocessing, radio or television broadcasting, dairy, dry cleaning or laundry business, pursuant to Section 58.1-3507 of the Code of Virginia, 1950, as amended, there shall be a tax of three dollars (\$3.00) for the purpose of establishing and maintaining the public schools of the city and for the purpose of providing the interest and sinking fund on loans negotiated and bonds issued by the city for school purposes, and for general governmental purposes.

Provided, however, that on and after July 1, 1984, for the fiscal year beginning July 1, 1984, and ending June 30, 1985, and for each fiscal year thereafter until the year ending June 30, 1995, any business firm which may be designated as a “qualified business firm” pursuant to the provisions of Chapter 22, Title 59.1 of the Code of Virginia, 1950, as amended, the Urban Enterprise Zone Act, shall receive the following tax credits: For the first two tax years for which the firm is assessed this tax, there shall be a one hundred per cent (100%) tax credit; for the third year a seventy-five per cent (75%) tax credit; for the fourth year a fifty per cent (50%) tax credit, and for the fifth year a twenty-five per cent (25%) tax credit. Thereafter, the tax shall be at the rate provided for in this section. Any business firm which may be designated as a "qualified business firm" on or after July 1, 1995 pursuant to the provisions of Chapter 22, Title 59.1 of the Code of Virginia, 1950, as amended, (the Urban Enterprise Zone Act), shall be entitled to the following tax credits: For the first three (3) tax years for which the firm is assessed this tax, there shall be a one hundred per cent (100%) tax credit, and for the fourth and fifth years a fifty per cent (50%) tax credit. Thereafter the tax shall be at the rate provided for in this section.

Provided, however, that on and after July 1, 2002, for the fiscal year beginning July 1, 2002, and ending June 30, 2003, and for each fiscal year thereafter, any business which is designated as a “technology business” and which business locates in either of the city’s technology zones on or after July 1, 2002, shall receive the following tax reimbursements: For the first three (3) tax years for which the business is assessed this tax, there shall be a one hundred per cent (100%) tax reimbursement; and, for the next two (2) tax years for which the business is assessed this tax a fifty per cent (50%) tax reimbursement.

2. That the Code of the City of Lynchburg, 1981, be and the same is hereby amended and reenacted by adding thereto Section 11-289 as follows:

Sec. 11-289. Waiver of code enforcement fees.

Any of the code enforcement fees required by Sec. 11-288 of this article may be waived for a business which is designated as a technology business and which business locates in either of the city’s technology zones on or after July 1, 2002. The city’s director of economic development, after consultation with the Lynchburg Industrial Development Authority, will determine which, if any, code

enforcement fees will be waived.

3. That this ordinance shall become effective upon its adoption.

Adopted:

Certified: _____
Clerk of Council

063L

A RESOLUTION APPROVING A FEE SCHEDULE.

BE IT RESOLVED That the following fee schedule is approved and adopted and shall become effective immediately:

Rezoning fee \$200; Conditional Use Permit/Special Use Exception Fee \$200; Site Plan Fee: Minor \$50, Major \$100 + \$20 per acre, Repeat review \$25; Subdivision plat: Minor \$50, Major \$75 + \$10 per lot, Repeat Review \$25; Variance Fee \$150.

Any of the fees required by this resolution may be waived for a business which is designated as a technology business and which business locates in either of the City's technology zones on or after July 1, 2002. The City's Director of Economic Development, after consultation with the Lynchburg Industrial Development Authority, will determine which, if any, fees will be waived.

Adopted:

Certified: _____
Clerk of Council

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TECHNOLOGY ZONE ORDINANCE GUIDELINES

DEFINITION

Technology business means a business, which derives its gross receipts from the design, development or other creation, for lease, sale or license of technology based products, processes or related services.

Technology based products, processes or related services are defined as engaging in the activity of automation, biotechnology, biomedical research, chemicals, electronics, computer hardware, computer software, defense, energy, environmental, manufacturing equipment, advanced materials, medical applications, pharmaceuticals, photonics, electronic based subassemblies and components, testing and measurements, telecommunications, systems integration, multimedia, e-commerce, internet services, transportation, architecture and engineering or similar activities. The definition of technology business can also be extended to training in the above concentration areas. Technology developers, rather than simply technology users, shall be considered as qualified zone businesses. In no case shall the use of computers or telecommunications services by a business in its internal operations qualify the business as a technology business.

INCENTIVES

Reduction and/or Waiver of City Fees

May include fees for building permits, mechanical and gas permits, plumbing permits, electrical permits, sign permits, conditional use permits, and zoning ordinance fees. The fees identified will only be exempt if the qualified zone resident can demonstrate that 100% of the cost of expansion, rehabilitation, or new construction is to house or accommodate a qualified technology business.

Reduction in Taxes

Downtown Technology Zone - A ten-year reimbursement of business license fees (BPOL) to qualified technology businesses while the business is located in the technology zone as follows: During the first five years following application approval, the business will be entitled to a one hundred-percent (100%) reimbursement of its BPOL fees. This reimbursement is limited to eighty-percent (80%) during year 6, sixty-percent (60%) during year 7; forty-percent (40%) during year 8; and twenty-percent (20%) during years 9 and 10.

Lynchpin Technology Zone - A five-year reimbursement of business license fees (BPOL) to qualified technology businesses in an amount equal to 80% in year one, 60% in year two 40% in year three, 20% in year four, 20% in year five. Lynchburg Industrial Development Authority incentives may also apply in this zone.

Both zones include a five-year reduction of the Machinery and Tools Tax. This will be one hundred-percent (100%) reimbursement for the first three (3) years of eligibility and fifty-percent (50%) during the remaining two years.

Capital Investment Grants

A five-year grant provided to qualified technology businesses. The grant is based on the net increase in capital investment made within the technology zone. The five-year capital investment grant will be calculated on the net increase in business personal property and real estate taxes paid by a qualified technology business. The grant will be equal to 80% of the net increase in year one, 60% in year two, 40% in year three, 20% in year four, and 20% in year five.

BOUNDARIES

Zone I, known as the Downtown Technology Zone, includes the Central Business District, Lower Basin, the Fifth Street Corridor, surrounding neighborhoods, as well as the land zoned industrial between Carroll and Campbell Avenue (see map).

Zone II, known as Lynchpin Technology Zone, is located between Wiggington Road and Lakeside Drive on the City's western boundary.

MINIMUM INVESTMENT

In the Downtown Technology Zone, a minimum capital investment of twenty-five thousand dollars (\$25,000) is required.

In the Lynchpin Technology Zone, a minimum capital investment of two hundred fifty thousand dollars (\$250,000) is required.

MINIMUM EMPLOYMENT

Expanding Technology Business

Increase the number of full-time employees by ten percent (10%) over a base year or the increase must constitute at least three (3) net new full-time employees, whichever is greater.

New Technology Business

In the Downtown Technology Zone, create a minimum of three (3) new full-time jobs within one (1) year of the firm's application.

In the Lynchpin Technology Zone, create a minimum of 25 new full-time jobs within one (1) year of the firm's application.

Wages paid to the minimum threshold number of full-time employees needed to qualify must be equal to twice the federal minimum wage rate.

PROCEDURE

The Department of Economic Development will qualify the company as set forth by the criteria established in the policy.

A company's appropriateness for the use of the program's incentives can be predetermined through a letter of understanding if requested by the company.

A business seeking to obtain a reduction of taxes under this section shall have the burden of demonstrating, to the satisfaction of the Director of Economic Development, that it meets the definition of a technology business and that it meets all applicable criteria for a reduction.

Except as otherwise specifically provided, nothing set forth within this section shall affect a technology business's status or classification for tax purposes, its obligation to report gross receipts and to file tax returns, or to pay any license issuance fees or local taxes under this program.

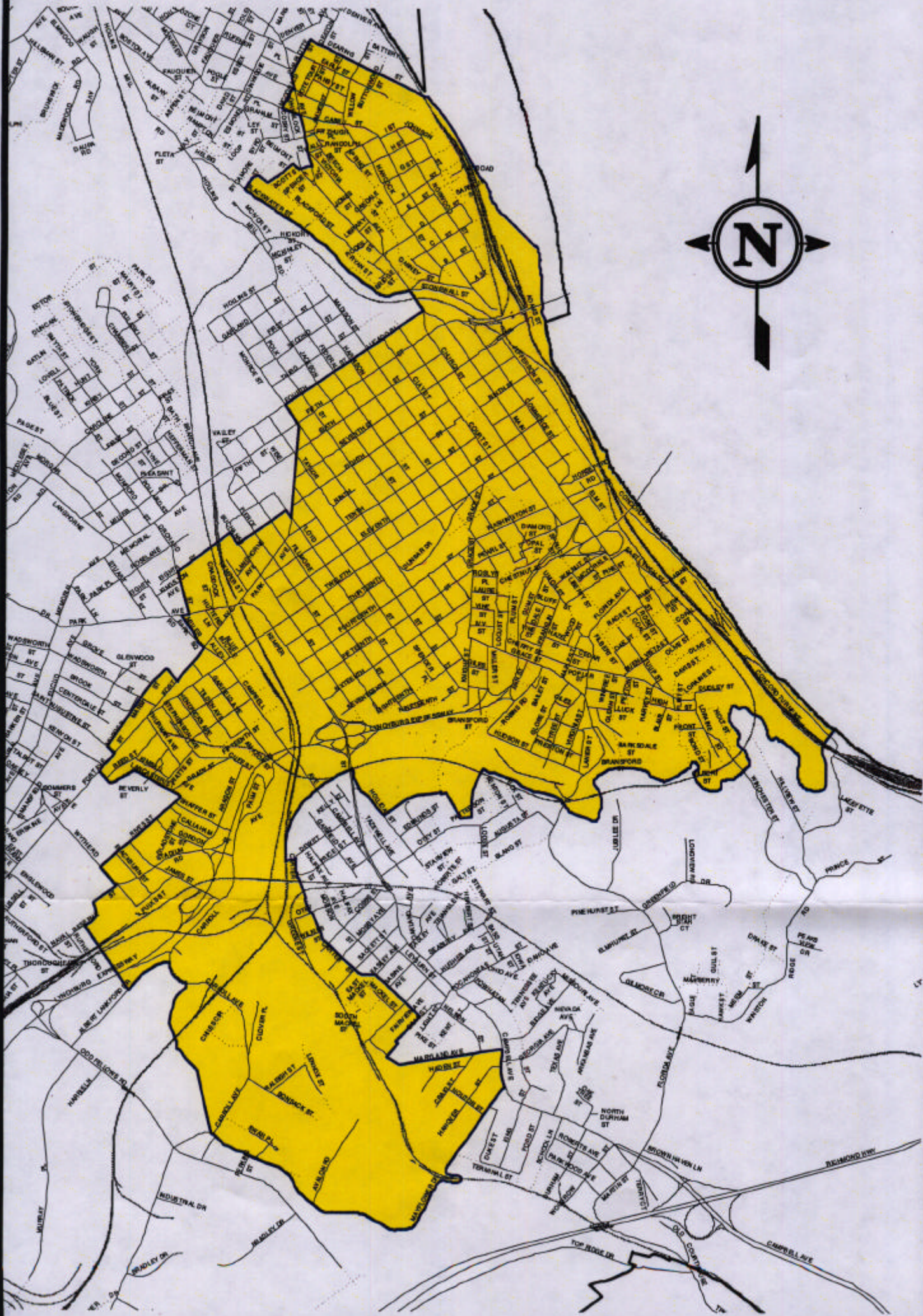
Businesses locating in a Technology Zone must apply to the Department of Economic Development in order to receive program benefits. It is still necessary for the business to file all necessary tax applications and pay the taxes when billed in order to receive certification from the Director. The incentives given through the participation in this program will be in the form of reimbursements to the business. The application shall be made by the business within the first 12 months of operation within the Zone and the Director shall investigate and determine that the business is a qualified technology business. It will further be required that the business reapply for the program incentives every year that it is within the program. This will ensure that the business has maintained its investment and job creation requirements and will also verify its status as a technology business. An audit of the submitted information will be conducted by Economic Development for compliance and will be forwarded to the Commissioner of Revenue's office for any tax related issues. Upon certification by the director and proof that no taxes are outstanding at the time of the application, the business will receive the program benefits from the date of original residency within the Zone.

If a business ceases to be a qualified technology business, ceases to meet the minimum criteria or removes its operation from the City of Lynchburg during a year in which the reimbursement applies, the reimbursement shall not be available.

A business firm may qualify for one additional five-year incentive period provided the necessary additional job creation and investment criteria are met as a result of an expansion. A qualified business firm cannot receive benefits under this program for a period longer than ten years.

Any requested waiver of the criteria or procedures contained in this ordinance must be approved by the Lynchburg Industrial Development Authority.

DOWNTOWN TECHNOLOGY ZONE



LYNCHBURG TECHNOLOGY ZONE

